

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Date: December 2, 2020

Employer Identification Number:

Number: **202108011**

Release Date: 2/26/2021

Contact person - ID number:

Contact telephone number:

LEGEND

C= Name

D= Name

E= Name

x dollars = Amount Range

y= Number Range

z= Number

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code Section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in Code Section 117(b)).

Description of your request

Your letter indicates you will operate a grantmaking program. Under your program, you will award scholarships called C and D. The purpose of C is to award grants to high school students to pursue higher education at a community college, university or trade school. The purpose of D is to award scholarships for children to attend early learning educational programs/preschools whose families would otherwise not be able to afford these programs and/or have not received other state base assistance.

Both C and D will be publicized in the respective schools or early learning centers through word-of-mouth, peer to peer referrals, literature, and information sessions put on by you. Typically, dollar amounts for C and D will be determined based on a percentage of the cost of the particular educational program of the recipient and will normally be in the range of x dollars . Furthermore, you will annually determine the number of awards for both C and D based on a percentage of your cash budget.

Recipients of both C and D will be chosen by a selection committee whose members will be appointed by you. Generally, the members will be community individuals who understand the importance of your work and have had experience in managing and interviewing people. If you need to replace a committee member, you will seek qualified individuals from local community organizations.

Specifics of C

To be eligible for C, the student must:

- Be graduating from high school in the current academic year;
- Provide documentation that they successfully have completed E including the video lessons on social/emotional learning with a teacher or a mentor;
- Have a 2.5 or higher GPA;
- Demonstrate involvement in their communities.

Additionally, all applicants must submit a complete application signed by their high school guidance counselor. Applicants are required to:

- Provide biographical information;
- Describe their plans for higher education;
- Prepare numerous narratives concerning particulars on what they learned from E, and specifics about their involvement in the community.

All applications will initially be reviewed to ensure they are complete and that the eligibility requirements are met. Those students who have submitted complete applications and meet the eligibility requirements will then be subjected to multiple interviews by the selection committee to ascertain if they are practicing and understand the principles and skills learned from E. The interviews will be scored on a scale in the range of y and if they achieve higher than a score of z, the scholarship will be awarded. Currently, these are one-time grants but if you decide to renew such grants, similar procedures will be used to select recipients.

Specifics of D

To be eligible for D, families of a preschool age child must:

- Prove a financial need for this support;
- Show that they are employed;
- Show that they have not received any pending scholarships or other state based financial aid that would render them ineligible;

- Demonstrate an understanding of why quality early learning is important for their child;
- Show a willingness to participate in the early learning center's programs;
- Commit to support their child's early learning at home; i.e. reading to them at home.

To apply for D, the applicant family must complete your application and submit detailed financial information including pay stubs and federal income tax returns as well as detailed expenses, school information, and a recommendation from an unrelated person such as a teacher or social worker who knows the child well.

All application packages will be reviewed by the selection committee to ensure that the applicant family has demonstrated financial need as well as to determine if the applicant family is employed and even with employment is in need of "gap coverage" to ensure that the preschool aged child is able to attend a quality childhood learning facility. Furthermore, applicants will be rendered ineligible for scholarship consideration if they have received other state-based aid.

These are one-time grants, but families may reapply for subsequent years and must substantiate they are meeting the requirements of the grant. The early learning centers will also be providing you with regular progress reports.

Procedures for both C and D:

You will pay all scholarships directly to the educational institution on behalf of the recipient. The educational institution is then responsible for providing you documentation noting that the funds were used on the behalf of the recipient for qualified educational expenses.

You represent you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You represent that you will: (1) maintain all records relating to individual grants including information obtained to evaluate grantees, (2) identify whether a grantee is a disqualified person, (3) establish the amount and purposes of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code Section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that

meets all of the following requirements of Code Section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code Section 117(a).
- The grant is to be used for study at an educational organization described in Code Section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code Section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements